

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY TEL AVIV IMMEDIATE

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EXDIS, FOR AMBASSADOR FROM ATHERTON

E.O. 11652: XGDS-3

TAGS: PFOR, IS

SUBJECT: ASSISTANCE FOR ISRAEL

REF: (A) TEL AVIV 2827, (B) TEL AVIV 2845

1. WE PRESENTLY ARE CONSIDERING AT HIGH LEVEL HOW BEST TO CLARIFY WITH THE ISRAELIS THE U.S. POSITION ON THE FINANCING OF ISRAELI MILITARY PURCHASES. CONCURRENTLY, WE HAVE BEEN WORKING WITH THE ISRAELIS TO REFINE OUR CONCLUSIONS ON THEIR FINANCIAL REQUIREMENTS FOR FY-1977, BUT NO FINAL CONCLUSIONS HAVE BEEN REACHED. RABIN'S POSITION THAT HE WANTED TO MAKE CERTAIN THAT FUNDS WERE AVAILABLE FOR THE FINANCING OF WEAPONS PURCHASED COMMERCIALY OR THROUGH FMS INVOLVES BOTH OF THESE CONSIDERATIONS. HOWEVER, SINCE THE CONSIDERATIONS PRESENTLY ARE UNDER ACTIVE REVIEW IN WASHINGTON, WE PREFER THAT THEY NOT BE DISCUSSED WITH THE ISRAELIS AT THIS TIME. THE FOLLOWING IS FOR YOUR INFORMATION ONLY:

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2. U.S. OBLIGATIONS: THERE APPEARS TO BE A LACK OF

ISRAELI UNDERSTANDING AS TO THE NATURE AND EXTENT OF THE U.S. OBLIGATION TO FUND ISRAELI MILITARY PURCHASES IMPLIED IN THE RABIN POSITION. THE UNITED STATES HAS NEVER COMMITTED ITSELF TO FUND TOTALLY ISRAEL'S MILITARY PURCHASES.

WE BELIEVE IT IS THE RESPONSIBILITY OF THE COUNTRY IN QUESTION TO INSURE THAT FUNDS ARE AVAILABLE FOR THE MILITARY PURCHASES IT DECIDES UPON. THE PRESIDENT'S POSITION ON THE LIMITS OF U.S. OBLIGATIONS FOR THE FINANCING OF MILITARY PURCHASES WAS MADE CLEAR IN A LETTER TO CONGRESSMAN RHODES:

QUOTE: IT IS NATURAL THAT THE RECIPIENT GOVERNMENTS WOULD LIKE TO RECEIVE FINANCIAL SUPPORT AT A HIGHER LEVEL THAN PROVIDED IN THE ADMINISTRATION'S REQUEST. I AM AWARE ALSO THAT IT HAS BEEN ARGUED THAT THE UNITED STATES SHOULD FUND THROUGH SECURITY ASSISTANCE ANY BUDGET DEFICIT WHICH GOVERNMENTS MIGHT INCUR AS THE RESULT IN PART OF ACQUIRING MILITARY EQUIPMENT FROM THE UNITED STATES. HOWEVER, IT SHOULD BE OBVIOUS THAT ANY SUCH PROPOSALS ARE COMPLETELY INFEASIBLE, SINCE THE UNITED STATES IS IN NO POSITION TO CONTROL EVERY ASPECT OF ANOTHER GOVERNMENT'S BUDGET SPENDING. SECURITY ASSISTANCE IS INTENDED TO PROVIDE MILITARY AND ECONOMIC FUNDING TO EASE THE PRESSURE ON FRIENDLY GOVERNMENTS IN MEETING THEIR LEGITIMATE SECURITY NEEDS. IT NEVER HAS BEEN NOR SHOULD BE INTENDED TO MEET EVERY BUDGETARY DEFICIT OR FOREIGN EXCHANGE SHORTFALL WHICH ANOTHER GOVERNMENT MAY INCUR AND NO SUCH COMMITMENT HAS BEEN MADE.

SPECIFICALLY IN THE CASE OF ISRAEL, MY FY 76 AND FY 77 BUDGET REQUESTS PROVIDE SUFFICIENT LEVELS OF ASSISTANCE TO MEET THAT NATION'S NEEDS. OUR MOST CAREFUL ANALYSIS INDICATES THAT THE LEVELS PROVIDED IN THE FY 76 AND 77 REQUESTS FOR FMS ARE ADEQUATE TO ENABLE ISRAEL TO MAINTAIN ITS SECURITY. OUR PREVIOUS ESTIMATES OF THIS NEED HAVE BEEN CAREFULLY RECHECKED AND REAFFIRMED. UNQUOTE.

3. THE FINANCIAL PICTURE: ANALYSIS TO DATE INDICATES THAT THERE WILL BE A SHORTFALL IN FMS FINANCING TO COVER
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TOTAL ARMS ORDERED. IT WILL NOT BE POSSIBLE FOR THE GOI, IF CURRENT DELIVERY PLANS ARE MAINTAINED, TO PAY ALL MILITARY IMPORTS--DIRECT AND COMMERCIAL--WITH EXISTING FMS CREDITS. HOWEVER, TAKING U.S. ECONOMIC AID INTO ACCOUNT, THERE WILL BE AN AS YET INDETERMINATE BALANCE-OF-PAYMENTS SURPLUS IN THE CIVILIAN SECTOR. WE EXPECT AN INCREASE IN ISRAEL'S FOREIGN EXCHANGE EARNINGS THROUGH AN UPTURN IN THE WORLD ECONOMY, A BETTER ISRAELI EXPORT PERFORMANCE

AND SUSTAINED CAPITAL TRANSFERS. AS A RESULT, IT IS
POSSIBLE THAT A LARGE PART OF THE SHORTFALL CAN BE MET BY
USING THE SURPLUS IN THE CIVILIAN SECTOR TO FREE ISRAELI
FOREIGN EXCHANGE EARNINGS TO PAY FOR ISRAELI IMPORTS OF
DEFENSE ITEMS PURCHASED THROUGH COMMERCIAL CHANNELS. IN

ANY CASE, AS THE LETTER TO RHODES INDICATES, IT IS THE
RESPONSIBILITY OF THE RECIPIENT GOVERNMENT AND NOT THE
USG TO ENSURE THAT PAYMENT MEANS WILL BE AVAILABLE.
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